

**The Grant-in-aid for the  
Maintenance of the Occupied Royal Palaces in  
England,  
Royal Communications and Information,  
and for the Maintenance of Marlborough House**

*Annual Report 2008-09*



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# MAINTENANCE OF THE OCCUPIED ROYAL PALACES (“PROPERTY SERVICES”)

## PERFORMANCE INDICATORS AND OPERATING RATIOS

The performance indicators and operating ratios are intended to provide a concise assessment of the way in which the Royal Household manages the Grant-in-aid in the key areas where performance can be quantified. Where percentages in the following table are preceded by + or – they are quantifying the movement in the expenditure compared with the previous year.

<i>Year to 31st March</i>	2009 <i>Target</i>	2009 <b>Actual</b>	2008 Actual
<b>Funding</b>	%	%	%
Movement in voted revenue Grant-in-aid receivable in:			
• absolute terms	–	–	–
• real terms	-4.0	<b>-5.3</b>	-2.8
<b>Property Maintenance</b>			
Fees and other indirect costs as a percentage of construction costs	18.5	<b>18.2</b>	17.0
Projects with a construction cost of £25,000 or more completed with a cost overrun of no more than:			
• 5% of the let tender amount	75	<b>76</b>	76
• the greater of £20,000 and 10% of the let tender amount	100	<b>98</b>	100
Percentage of fixed-price contracts with a construction cost of £25,000 or more let without competitive tendering	–	–	–
<b>Telephones</b>			
Movement in costs in real terms	–	<b>-1.6</b>	-21.0
<b>Energy Consumption</b>			
Movement in electricity costs in real terms	–	<b>-1.6</b>	-7.4
Movement in gas costs in real terms	–	<b>3.3</b>	-0.1
Movement in water costs in real terms	–	<b>-3.1</b>	26.7
<b>Supplier Payments</b>			
Percentage paid within:			
• 30 days	85	<b>77</b>	93
• 40 days	95	<b>87</b>	97
• 50 days of receipt of invoice	97	<b>91</b>	98
<b>Average Weekly Number of AFD Activations</b>	8	<b>7</b>	6
<b>Staff Numbers</b>	110	<b>109</b>	105

Of the fifteen performance indicators five had not been met or bettered during the year to 31st March 2009 (2007-08: nil). One project (Red Brick Yard Mews, Windsor Castle) with a cost of £289,000 exceeded the let tender amount of £259,000 by more than 10% due primarily to a significant increase in lead prices during the period between the initial tender and completion of the work.

The 'movement in gas cost' has not been met due to higher than expected consumption attributable to a colder winter.

The three 'Supplier payment days' targets had not been met due to processing delays as a result of the implementation of a new accounting system in the first quarter of 2008-09. It is anticipated that these performance indicators will be met in 2009-10.

Adjustments to restate expenditure in real terms have been made using the inflation indices given on page 84. Explanations of the performance indicators, where required, are given below.

#### **Fees and other indirect costs as a percentage of construction costs (or ratio)**

This indicator measures the success in spending as large a proportion as feasible of the funding available for property maintenance on actual maintenance and building work and as small a proportion as feasible on related administration and fees. It is understood that the fees and other indirect costs ratio for work on listed buildings would normally be expected to be in the range of 15% to 20%. Reducing expenditure on fees may, of course, be a false economy if insufficient pre-planning and input from architects and other members of the design team means that building costs increase and/or that the quality of the work is compromised. Comparisons with industry standard rates per square metre are used wherever possible to check that fees have not been reduced at the expense of increased cost in other areas. In addition, independent checks are undertaken to ensure that work undertaken is up to the high standard required. The achievement of this ratio will become increasingly difficult as the amount of funds available for Property maintenance continues to decline in real terms each year.

**Percentage of projects with a construction cost of £25,000 or more (excluding VAT) completed with a cost overrun of no more than (a) 5% of the let tender amount, and (b) the greater of £20,000 and 10% of the let tender amount**

Building projects in relation to historic buildings and conservation are particularly difficult to manage and costs can frequently exceed budget. By completing 75% of projects with an overrun of no more than 5% of the let tender amount and 100% of projects with an overrun of no more than the greater of £20,000 and 10% of the let tender amount, the Property Section sets demanding targets. It is also the Household's policy not to include undefined provisional sums and general contingencies in let tender amounts, which would otherwise distort the application of this performance indicator.

**Average weekly number of AFD activations**

This performance indicator monitors how effectively the automatic fire detection (AFD) system is managed. The average number of activations in 2008-09 for the Estate was 7 per week, compared with the benchmark of 12 per week calculated in accordance with the guidance set out in the British Standard for systems of comparable size.

# INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st March</i>	Note	<b>2009</b>	2008
		<b>£m</b>	£m
Amount of Revenue Grant-in-aid voted by Parliament		<b>15.0</b>	15.0
Capital Grant-in-aid drawn down		<u>1.1</u>	<u>0.7</u>
<b>Grant-in-aid drawn down</b>		<b><u>16.1</u></b>	<b><u>15.7</u></b>
Property Maintenance			
Projects and general maintenance	2	<b>9.8</b>	9.0
Less: Income from facilities management charge		<b>(2.0)</b>	(1.8)
Supervision		<u>1.5</u>	<u>1.4</u>
		<b>9.3</b>	8.6
Utilities		<b>2.3</b>	2.2
Fire, health and safety services		<b>1.3</b>	1.3
Non-domestic rates		<b>0.9</b>	0.8
Court Post Office		<b>0.6</b>	0.6
Gardens		<b>0.7</b>	0.9
Furniture and equipment		<b>0.6</b>	0.6
Central administration		<b>0.4</b>	0.3
Information Systems		<b>0.4</b>	0.3
Rent and other recoveries		<b>(1.2)</b>	(1.0)
Maintenance of commercial properties		<u>0.2</u>	<u>0.7</u>
<b>Total net expenditure</b>	2, 5	<b><u>15.5</u></b>	<b><u>15.3</u></b>
<b>Net funding for fixed assets and working capital</b>	9	<b><u>0.6</u></b>	<b><u>0.4</u></b>

Total net expenditure in 2008-09 includes approximately £1.2 million in respect of VAT (2007-08: £1.8 million) following recovery of £0.5 million VAT in respect of prior years in 2008-09.

The accounting policies are summarised on pages 69 to 71. The Income and Expenditure Account should also be read in conjunction with the Statement of Total Recognised Gains and Losses, the Balance Sheet and the Cash Flow Statement on pages 66, 67 and 68 respectively.

The results shown above relate to continuing activities.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31st March</i>		2009	2008
	Note	<b>£m</b>	£m
<b>Net funding for fixed assets and working capital</b>		<b>0.6</b>	0.4
Actuarial (loss) / gain for the year	4	<b>(1.9)</b>	0.8
Total recognised (losses) / gains relating to the year		<u><b>(1.3)</b></u>	<u>1.2</u>



# BALANCE SHEET

<i>As at 31st March</i>		2009 £m	2008 £m
	Note		
<b>Fixed assets</b>	6	11.6	10.0
<b>Current assets</b>			
Debtors	7	2.1	3.1
		2.1	3.1
<b>Creditors: amounts falling due within one year</b>	8	(4.0)	(3.5)
<b>Net current liabilities</b>		(1.9)	(0.4)
<b>Total assets less current liabilities excluding pension scheme liability</b>		9.7	9.6
<b>Pension scheme liability</b>	4	(2.4)	(0.7)
<b>Net assets</b>		7.3	8.9
 <b>Funds contributed by or (required from) the Department for Culture, Media and Sport</b>			
Fixed asset reserve		11.6	10.0
Pension scheme deficit	4	(2.4)	(0.7)
Required to meet net current liabilities		(1.9)	(0.4)
	9	7.3	8.9

**Sir Alan Reid**

Keeper of the Privy Purse

4th June 2009

# CASH FLOW STATEMENT

<i>Year to 31st March</i>	2009	2009	2008	2008
	£m	£m	£m	£m
<b>Reconciliation of total net expenditure to Grant-in-aid</b>				
Total net expenditure		(15.5)		(15.3)
Interest income	–		(0.1)	
Depreciation charges	0.4		0.4	
Decrease / (increase) in debtors	1.0		(0.2)	
Increase in creditors	0.7		0.5	
Excess of pension scheme contributions over service cost	(0.2)		(0.1)	
		<u>1.9</u>		<u>0.5</u>
<b>Net cash outflow from activities</b>		<b>(13.6)</b>		<b>(14.8)</b>
Interest received		–		0.1
Capital expenditure – fixed assets acquired		(2.3)		(1.1)
<b>Net cash outflow before financing</b>		<b>(15.9)</b>		<b>(15.8)</b>
Grant-in-aid drawn down		16.1		15.7
<b>Increase / (decrease) in cash</b>		<b>0.2</b>		<b>(0.1)</b>
		<u><u>0.2</u></u>		<u><u>(0.1)</u></u>
<b>Reconciliation of cash balances</b>		<b>2009</b>		<b>2008</b>
		£m		£m
Cash at bank as at start of year		(0.8)		(0.7)
Net increase / (decrease) in cash		0.2		(0.1)
<b>Cash at bank as at 31st March</b>		<b>(0.6)</b>		<b>(0.8)</b>
		<u><u>(0.6)</u></u>		<u><u>(0.8)</u></u>

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts.

### a) Basis of preparation

The accounts are prepared in accordance with the combined accounts direction given by the Treasury as set out in Appendix B (pages 134 to 136) and have been prepared in accordance with applicable accounting standards, the Government Financial Reporting Manual (FRoM) and under the historical cost accounting rules.

### b) Income

Grant-in-aid from the Department for Culture, Media and Sport is taken to the Income and Expenditure Account in the year it is received.

All other income is accounted for on a receivable basis.

### c) Income from facilities management charge

Amounts due from the Royal Collection Trust to the Grant-in-aid in respect of services provided in connection with admitting the public to Windsor Castle are recognised on a receivable basis.

### d) Pensions costs

The Household participates in two pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Grant-in-aid. Contributions to the schemes are charged to the Income and Expenditure Account to reflect the cost of benefits accruing to members so as to spread pension costs over employees' working lives with the Household. One of these pension schemes, managed by the Government, is not a funded scheme. As permitted by FRS 17: Retirement Benefits, this scheme is treated as a defined contribution scheme by the Grant-in-aid and the full cost of contributions made in the year is reflected in the Income and Expenditure Account.

However, FRS 17: Retirement Benefits is applicable to the second scheme, the Royal Households Group Pension Scheme, and accordingly the Income and Expenditure Account includes the cost of benefits accruing during the year in respect of current service, the expected return on the scheme's assets and the increase in the present value of the scheme's liabilities arising from the passage of time, the actuarial gain / (loss) recognised in the pension scheme for the year (shown within the statement of total recognised gains and losses) and the balance sheet includes the deficit in the pension scheme taking the assets at their year-end bid-values and liabilities at their actuarially calculated values discounted using the annualised yield on the iBoxx over 15-year AA rated corporate bond index at the year end.

The Household also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Grant-in-aid in an independently administered fund. The amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the year.

Further details of the pension schemes are provided in Appendix A of the Royal Public Finance Annual report (page 121).

#### **e) Leases**

Operating lease rentals are charged to the Income and Expenditure Account on a straight-line basis over the period of the lease.

#### **f) Fixed assets**

The Estate is not attributed any value in the Balance Sheet as the land and buildings are held by The Queen in trust for the nation and cannot be sold. The Treasury requires that certain fixed assets should be revalued on a modified historical cost basis. In view of the nature of the fixed assets, it is not considered appropriate to use this basis and historical cost has been applied.

Net expenditure over £5,000 on improvements to the Estate is capitalised, except where the improvements are incidental to general repair and refurbishment work; costs capitalised include related fees and VAT.

Fixed assets are depreciated on a straight-line basis at the following rates:

- Automatic fire detection (AFD) 10 years
- Fire compartmentation 30 years
- General building improvements 10 or 30 years
- Refurbishments (commercial lettings only) 7 years
- Lifts\* 20 years
- Water mains 30 years
- Information technology equipment 3 years
- Small Plant & Tools\* 4 years
- Electrical Plant\* 10 years
- Telephone switches (grouped with IT equipment) 5 years

\* All grouped under the heading of “Plant & Lifts” in the table on page 75.

All assets are subject to a half-year’s depreciation charge in the year of acquisition, with the exception of plant, information technology and telephone equipment, for which depreciation commences in the month following purchase.

Depreciation on fixed assets reinstated in 2000-01 (as set out in note 1(i)) has been charged directly to the reserve which was established at that time.

**g) Stock**

Stock has not been included in the Balance Sheet on the grounds of materiality.

**h) Bank overdraft**

The Grant-in-aid did not have an overdraft with, or any borrowings from, its banker. The disclosed bank overdraft at 31st March 2009 and 2008 arose from the notional allocation of cash between the three parts of the Grant-in-aid.

**i) Reserves**

A fixed asset reserve was established in 2000-01 when, as a result of applying the accruals basis in accordance with the requirements of Government Resource Accounting, the past cost of fixed assets written off in the year of expenditure was reinstated on the balance sheet. The net annual movement is the difference between fixed assets acquired and depreciation.

The pension scheme deficit reserve represents the amount of the pension scheme deficit at the year end. This will need to be settled from future Grant-in-aid funding over time.

Amount required to meet net current liabilities represents the net liability at the year end payable to third party creditors, net of amounts receivable. This will be settled from future Grant-in-aid funding.

## 2. SEGMENTAL ANALYSIS

<i>Year to 31st March</i>	Total costs		Maintenance projects > £3,500	
	2009	2008	2009	2008
	£m	£m	£m	£m
Buckingham Palace	8.0	5.9	2.2	1.7
Buckingham Palace Mews and Gardens	1.4	2.1	0.8	0.4
St James's Palace	1.7	1.5	0.7	0.5
Clarence House and Marlborough House Mews	0.5	0.8	0.2	0.5
Kensington Palace	–	0.7	0.3	0.3
Hampton Court Mews and Paddocks	0.3	0.3	0.2	0.1
Windsor Castle	3.3	3.7	0.8	1.7
Windsor Castle Royal Mews	0.4	0.7	0.4	0.4
Windsor Home and Great Parks	0.8	0.7	0.5	0.1
Central costs	1.1	0.7	–	–
	<u>17.5</u>	<u>17.1</u>	<u>6.1</u>	<u>5.7</u>
Income from facilities management charge	(2.0)	(1.8)	–	–
	<u>15.5</u>	<u>15.3</u>	<u>6.1</u>	<u>5.7</u>

### Maintenance projects expenditure with a cost of £3,500 or more, analysed by category of expenditure

<i>Year to 31st March</i>	2009	2008
	£m	£m
Energy conservation	0.3	0.3
Fire precaution	0.3	0.2
Health and safety	1.1	0.7
Housing	1.0	0.7
Offices and workshops	0.4	0.3
General maintenance	3.0	3.5
	<u>6.1</u>	<u>5.7</u>

Because of the nature of other expenditure, it is not feasible to split total costs between these types of expenditure, so this information is not supplied.

The cost of maintenance projects with a cost of £3,500 or more reconciles with the total maintenance costs as follows:

<i>Year to 31st March</i>	2009		2008	
	Capital £m	Revenue £m	Capital £m	Revenue £m
Maintenance projects with a cost of £3,500 or more:				
• Construction	1.7	5.7	0.3	5.3
• Fees	–	0.4	–	0.4
	<u>1.7</u>	<u>6.1</u>	<u>0.3</u>	<u>5.7</u>
Less: transfers to fixed assets	(1.7)	(0.5)	(0.3)	(0.6)
Add: depreciation	–	0.3	–	0.2
	<u>–</u>	<u>5.9</u>	<u>–</u>	<u>5.3</u>
General maintenance	–	3.9	–	3.7
Total projects and general maintenance	<u>–</u>	<u>9.8</u>	<u>–</u>	<u>9.0</u>

### 3. STAFF NUMBERS AND COSTS

#### Staff Numbers

The average number of staff paid from the Grant-in-aid during the year to 31 March was as set out below.

	2009	2008
Administration, Accounting and Telephone Operators	16	13
Property Maintenance Central Unit	3	3
Buckingham Palace and St James's Palace Maintenance Office	36	36
Kensington Palace, Hampton Court and Windsor Castle Maintenance Office	18	17
Fire, Health and Safety Services	22	23
Craftsmen	14	13
	<u>109</u>	<u>105</u>

Where staff work part-time or have part of their salary charged to the Civil List or the Royal Travel Grant-in-aid, they are recorded according to the proportion of their time devoted to, and paid for by, the Property Services Grant-in-aid.

## Payroll Costs

<i>Year to 31st March</i>	2009	2008
	£m	£m
Salaries	3.2	3.0
Less: housing abatements and charges	(0.2)	(0.2)
Overtime	0.2	0.2
National Insurance	0.3	0.3
Pension contributions	0.8	0.7
	<u>4.3</u>	<u>4.0</u>

Housing abatements and charges are deductions from salaries in respect of the provision of residential accommodation. The majority of the paid overtime arises from attendance at evening receptions and weekend working, for example when the Buckingham Palace State Apartments are open to the public, together with cover for leave and sickness absences for 24 hour shift workers (telephone operators and fire surveillance officers). Of the above costs £0.3 million (2007-08: £0.3 million) was recharged to external and other funding sources.

Payroll costs are included under the following headings within the Income and Expenditure Account.

<i>Year to 31st March</i>	2009	2008
	£m	£m
Projects and general maintenance	0.6	0.5
Supervision	1.2	1.2
Utilities	0.3	0.3
Fire, health and safety services	0.9	0.9
Gardens	0.4	0.4
Furniture and equipment	0.5	0.5
Central administration	0.4	0.2
	<u>4.3</u>	<u>4.0</u>

## 4. PENSION ARRANGEMENTS

Details of the pension schemes operating for employees of the Royal Household are provided in Appendix A of the Royal Public Finances Annual Report on page 121.



## 5. TOTAL NET EXPENDITURE

Total net expenditure is stated after (crediting)/charging:

<i>Year to 31st March</i>	2009	2008
	£m	£m
Interest	–	(0.1)
Depreciation	0.4	0.4

The Auditors' remuneration for the audit was £51,000 (2007-08: £52,000). There were no additional fees paid to the auditors during 2008-09 (2007-08: nil).

## 6. FIXED ASSETS

Asset category	AFD	Fire comp	Buildings	Refurb	P&M	Water mains	AUC	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Cost</b>								
At 1st April 2008	7.0	6.7	4.8	1.1	3.4	0.2	–	23.2
Reclassification	–	–	1.1	–	(1.7)	–	0.6	–
Additions	0.2	–	1.7	–	0.4	–	–	2.3
Transfers	–	–	0.6	–	–	–	(0.6)	–
Disposals	–	–	–	–	–	–	–	–
At 31st March 2009	<b>7.2</b>	<b>6.7</b>	<b>8.2</b>	<b>1.1</b>	<b>2.1</b>	<b>0.2</b>	<b>–</b>	<b>25.5</b>
<b>Depreciation</b>								
At 1st April 2008	7.0	2.3	1.0	1.0	1.9	–	–	13.2
Reclassification	–	–	0.5	–	(0.5)	–	–	–
Charge for the year	–	0.2	0.4	–	0.1	–	–	0.7
Disposals	–	–	–	–	–	–	–	–
At 31st March 2009	<b>7.0</b>	<b>2.5</b>	<b>1.9</b>	<b>1.0</b>	<b>1.5</b>	<b>–</b>	<b>–</b>	<b>13.9</b>
<b>Net book value</b>								
At 31st March 2009	<b>0.2</b>	<b>4.2</b>	<b>6.3</b>	<b>0.1</b>	<b>0.6</b>	<b>0.2</b>	<b>–</b>	<b>11.6</b>
At 1st April 2008	–	4.4	3.8	0.1	1.5	0.2	–	10.0

### Explanation of abbreviations used above

“Fire comp” refers to fire compartmentation. “Buildings” refers to various projects in which building improvement has occurred, and “Refurb” refers to the betterment element for properties which are to be let commercially. “P&M” refers to tools, items of small or electrical plant, lifts and information technology equipment. “AUC” refers to assets in the course of construction. These assets will be transferred to the correct category and depreciated from the date of completion.

Of the fixed asset depreciation of £0.7 million, £0.4 million has been charged to the Income and Expenditure Account and £0.3 million to the Fixed Asset Reserve.

## 7. DEBTORS

<i>As at 31st March</i>	2009	2008
	£m	£m
Recharges	0.3	0.3
Amounts owed by related parties (see note 11)	1.8	2.8
	<u>2.1</u>	<u>3.1</u>

## 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

<i>As at 31st March</i>	2009	2008
	£m	£m
Bank overdraft	0.6	0.8
Suppliers and accruals	3.3	2.5
Amounts owed to related parties (see note 11)	–	0.1
Other creditors including taxation	0.1	0.1
	<u>4.0</u>	<u>3.5</u>

## 9. RESERVES

Funds contributed by or (required from) the Department for Culture, Media and Sport	Fixed asset reserve	For net current liabilities	Pension scheme deficit	Total
	£m	£m	£m	£m
As at 1st April 2008	10.0	(0.4)	(0.7)	8.9
Actuarial loss on Group Pension Scheme	–	–	(1.9)	(1.9)
Depreciation charged directly to fixed asset reserve	(0.3)	–	–	(0.3)
Net funding for working capital	1.9	(1.5)	0.2	0.6
As at 31st March 2009	<u>11.6</u>	<u>(1.9)</u>	<u>(2.4)</u>	<u>7.3</u>

## 10. COMMITMENTS

<i>As at 31st March</i>	<b>2009</b>	2008
	<b>£m</b>	£m
Contractual commitments:		
• Contracted	<b>4.8</b>	1.8
• Authorised but not contracted	<b>2.3</b>	2.5

## 11. RELATED PARTY TRANSACTIONS

Material transactions during the year with other entities controlled by officials or trustees on behalf of The Queen are set out below.

	<b>2009</b>	2008	<b>2009</b>	2008
	<b>£m</b>	£m	<b>£m</b>	£m
	<b>Balance due from:</b>		<b>Recoveries from:</b>	
Civil List	–	0.1	<b>0.2</b>	0.1
Royal Collection Trust and Royal Collection Enterprises	<b>1.7</b>	2.5	<b>4.1</b>	3.2
Privy Purse	–	0.1	<b>0.2</b>	0.2
Other Royal Households	<b>0.1</b>	0.1	<b>0.4</b>	0.2
	<b>Balance due to:</b>		<b>Charged by:</b>	
Civil List	–	0.1	<b>0.4</b>	0.7
Privy Purse	–	–	<b>0.1</b>	–

The Civil List, the Royal Collection Trust, Royal Collection Enterprises, the Privy Purse and other Royal Households are regarded as related parties. Material transactions with these related parties during the year are summarised above.

Recoveries from the Civil List relate to work undertaken by craftsmen employed by the Grant-in-aid. Recoveries made from the Royal Collection include the Windsor Castle facilities management charge, recovery of property refurbishment and maintenance services costs, and utilities and staff costs. Recoveries from the Privy Purse include rent for accommodation provided, repairs and maintenance services carried out by the Property Section, sales of plants to the Farm Shop and staff costs for project management services. Recoveries from other Royal Households mainly relate to property maintenance.

Charges to the Grant-in-aid from the Civil List relate to management fees charged for various services provided by Civil List staff, including accounting, payroll, internal audit, personnel, catering and cleaning, and IT services. Charges from the Privy Purse relate to insurance.

None of the management group or other related parties, except as referred to above, has undertaken any material transactions with the Grant-in-aid during the year.

## **12. CONTINGENT LIABILITIES**

The Grant-in-aid had no contingent liabilities at the year end (2007-08: nil).

## FIVE YEAR INFORMATION

### INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st March</i>	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Amount of Revenue Grant-in-aid voted by Parliament	15.0	15.0	15.0	15.1	15.2
Advance drawn against 2004-05 Grant	–	–	–	–	(0.7)
Capital Grant drawn down	1.1	0.7	0.2	–	–
<b>Grant-in-aid drawn down</b>	<b>16.1</b>	<b>15.7</b>	<b>15.2</b>	<b>15.1</b>	<b>14.5</b>
Property Maintenance					
Projects with a cost of £3,500 or more:					
• construction	5.7	5.3	5.4	5.0	5.7
• fees	0.4	0.4	0.3	0.3	0.3
	6.1	5.7	5.7	5.3	6.0
Less: transfers to fixed assets	(0.5)	(0.6)	(0.4)	(0.4)	(0.2)
Add: depreciation	0.3	0.2	0.1	0.1	0.1
General maintenance	3.9	3.7	3.3	3.7	3.4
Less: Income from facilities management charge	(2.0)	(1.8)	(1.8)	(1.4)	(1.1)
Supervision	1.5	1.4	1.3	1.3	1.1
	9.3	8.6	8.2	8.6	9.3
Utilities	2.3	2.2	2.4	2.1	2.0
Fire, health and safety services	1.3	1.3	1.3	1.2	1.1
Non-domestic rates	0.9	0.8	0.7	0.8	(0.2)
Court Post Office	0.6	0.6	0.7	0.7	0.7
Gardens	0.7	0.9	0.7	0.6	0.6
Furniture and equipment	0.6	0.6	0.6	0.5	0.5
Central administration	0.4	0.3	0.5	0.4	0.4
Information systems	0.4	0.3	0.2	0.2	0.2
Rent and other recoveries	(1.2)	(1.0)	(1.1)	(1.0)	(1.0)
Maintenance on commercial properties	0.2	0.7	0.3	0.2	0.3
<b>Total net expenditure</b>	<b>15.5</b>	<b>15.3</b>	<b>14.5</b>	<b>14.3</b>	<b>13.9</b>
<b>Net funding for fixed assets and working capital</b>	<b>0.6</b>	<b>0.4</b>	<b>0.7</b>	<b>0.8</b>	<b>0.6</b>

## PROPERTY MAINTENANCE

### Maintenance projects expenditure analysed by category of expenditure

<i>Year to 31st March</i>	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Energy conservation	0.3	0.3	0.3	0.3	0.1
Fire precautions	0.3	0.2	0.1	0.1	0.1
Health and safety	1.1	0.7	0.7	0.3	0.5
Housing	1.0	0.7	0.6	0.5	0.5
Offices and workshops	0.4	0.3	0.4	0.9	1.7
General maintenance	3.0	3.5	3.6	3.2	3.1
	<b>6.1</b>	<b>5.7</b>	<b>5.7</b>	<b>5.3</b>	<b>6.0</b>

The classification of expenditure into the categories shown above is on an approximate basis, with each project generally allocated to one category, rather than analysed between a number of categories, according to the main purpose of the work.

### Maintenance projects expenditure analysed by location

<i>Year to 31st March</i>	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Buckingham Palace	2.2	1.7	2.5	1.6	1.6
Buckingham Palace Mews and Gardens	0.8	0.4	0.3	0.4	0.4
St James's Palace	0.7	0.5	0.5	0.6	1.5
Clarence House and Marlborough House Mews	0.2	0.5	0.1	–	0.3
Kensington Palace	0.3	0.3	0.1	0.1	0.1
Hampton Court Mews and Paddocks	0.2	0.1	0.1	0.2	0.2
Windsor Castle	0.8	1.7	1.4	1.8	0.9
Windsor Castle Royal Mews	0.4	0.4	0.3	0.3	0.5
Windsor Home and Great Parks	0.5	0.1	0.4	0.3	0.5
	<b>6.1</b>	<b>5.7</b>	<b>5.7</b>	<b>5.3</b>	<b>6.0</b>

ANALYSIS BY PALACE

<i>Year to 31st March</i>	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Buckingham Palace	8.0	5.9	6.4	5.9	5.2
Buckingham Palace Mews and Gardens	1.4	2.1	1.8	1.5	1.4
St James's Palace	1.7	1.5	1.5	1.5	2.2
Clarence House and Marlborough House Mews	0.5	0.8	0.3	0.3	0.6
Kensington Palace	–	0.7	(0.1)	(0.1)	(0.1)
Hampton Court Mews and Paddocks	0.3	0.3	0.3	0.3	0.3
Windsor Castle	3.3	3.7	3.6	3.8	3.0
Windsor Castle Royal Mews	0.4	0.7	0.5	0.5	0.4
Windsor Home and Great Parks	0.8	0.7	1.0	1.0	1.0
Central costs	1.1	0.7	1.0	1.0	1.0
	17.5	17.1	16.3	15.7	15.0
Less: Income from facilities management charge	(2.0)	(1.8)	(1.8)	(1.4)	(1.1)
	<b>15.5</b>	<b>15.3</b>	<b>14.5</b>	<b>14.3</b>	<b>13.9</b>

## STAFF NUMBERS AND COSTS

### Staff Numbers

<i>As at 31st March</i>	2009	2008	2007	2006	2005
Administration, Accounting and Telephone Operators	16	13	12	13	13
Property Maintenance Central Unit	3	3	3	3	3
Buckingham Palace and St James's Palace Maintenance Office	36	36	31	31	32
Kensington Palace, Hampton Court and Windsor Castle Maintenance Office	18	17	18	20	18
Fire, Health and Safety Services	22	23	22	22	23
Craftsmen	14	13	15	15	15
	<u>109</u>	<u>105</u>	<u>101</u>	<u>104</u>	<u>104</u>

### Payroll Costs

<i>Year to 31st March</i>	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Salaries	3.2	3.0	2.8	2.8	2.6
Less: housing abatements and charges	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)
Overtime	0.2	0.2	0.3	0.3	0.3
National Insurance	0.3	0.3	0.3	0.3	0.2
Pension contributions	0.8	0.7	0.7	0.6	0.6
	<u>4.3</u>	<u>4.0</u>	<u>3.9</u>	<u>3.8</u>	<u>3.6</u>



## PERFORMANCE INDICATORS AND OPERATING RATIOS

<i>Year to 31st March</i>	2009	2008	2007	2006	2005
	%	%	%	%	%
<b>Funding</b>					
Movement in voted revenue Grant-in-aid in:					
• absolute terms	–	–	-0.7	-0.7	-0.7
• real terms	-5.3	-2.8	-6.6	-4.1	-8.4
<b>Property Maintenance</b>					
Fees and other indirect costs as a percentage of construction costs	18.2	17.0	16.2	15.3	14.6
Projects with a construction cost of £25,000 or more completed with a cost overrun of no more than:					
• 5% of the let tender amount	76	76	76	80	78
• the greater of £20,000 and 10% of the let tender amount	98	100	100	98	100
Percentage of fixed price contracts with construction cost of £25,000 or more let without competitive tendering	–	–	–	–	–
<b>Telephones</b>					
Movement in costs in real terms	-1.6	-21.0	-9.1	+2.6	-5.3
<b>Energy Consumption</b>					
Movement in electricity costs in real terms	-1.6	-7.4	-3.5	-2.0	-11.0
Movement in gas costs in real terms	3.3	-0.1	-6.2	-6.7	-2.6
Movement in water costs in real terms	-3.1	+26.7	-13.6	+41.4	-4.3
<b>Supplier Payments</b>					
Percentage paid within:					
• 30 days	77	93	88	94	87
• 40 days	87	97	96	97	95
• 50 days of receipt of invoice	91	98	97	98	97
<b>Average Weekly No. of AFD activations</b>	7	6	6	6	7
<b>Staff Numbers</b>	109	105	101	104	104

Adjustments have been made to restate expenditure in real terms using the inflation indices given on page 84.

# INFLATION INDICES

		2008-09	2007-08	2006-07	2005-06	2004-05
		%	%	%	%	%
<b>Inflation index</b>						
Retail price	(a)	2.2	3.5	3.9	2.1	2.5
Tender price <sup>1</sup>	(b)	-3.2	5.0	3.6	0.4	13.1
Building cost	(b)	4.0	4.6	5.8	5.0	7.5
Pay	(c)	5.2	5.2	4.4	4.7	4.0
Electricity	(d)	50.0	-11.0	48.3	17.4	41.8
Gas	(d)	55.0	-26.0	28.4	20.2	25.3
Water	(d)	5.7	5.7	4.5	20.6	2.3
Telephones	(d)	0.0	0.0	0.0	1.7	3.0

## Sources

- (a) Consumer Prices and General Inflation Branch of the Office of National Statistics.
- (b) Building Cost Information Service of the Royal Institution of Chartered Surveyors, Quarterly Review of Building Prices.
- (c) Royal Household personnel database.
- (d) The indices are in-house estimates based on information from suppliers. This is applied because the consumer price index and bulk prices have very different inflation profiles.

When restating expenditure and income in real terms the tender price index is applied to all Property Maintenance expenditure except for General Maintenance and Supervision. The building cost index is applied to the external contractor element of General Maintenance expenditure. The pay index is applied to payroll costs, the relevant utility indices to utilities, the telephones index to non-pay telephones expenditure and the retail price index to all other income and expenditure.

<sup>1</sup> Because an accurate figure for the year to 31st March is not available by the time the annual report is published, the figure is based on a forecast figure.

# ROYAL COMMUNICATIONS AND INFORMATION

## INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st March</i>		2009	2008
	Note	£m	£m
Amount of Grant-in-aid voted by Parliament		<u>0.5</u>	<u>0.5</u>
<b>Grant-in-aid drawn down</b>		<u>0.5</u>	<u>0.5</u>
<b>Royal Visits</b>		<u>0.1</u>	<u>0.1</u>
<b>General Communications</b>			
Press Office salaries		0.2	0.2
Web Site		0.3	0.1
Other		–	0.1
		<u>0.5</u>	<u>0.4</u>
<b>Total net expenditure</b>	2	<u>0.6</u>	<u>0.5</u>
<b>Net funding (from) / for working capital</b>		<u>(0.1)</u>	<u>–</u>

## BALANCE SHEET

<i>As at 31st March</i>	2009	2008
	£m	£m
<b>Current assets</b>		
Cash at bank	–	0.1
<b>Creditors: amounts falling due within one year</b>		
Suppliers	(0.1)	(0.1)
	<u>(0.1)</u>	<u>(0.1)</u>
<b>Net assets / (liabilities)</b>	<u>(0.1)</u>	<u>–</u>
<b>Funds (required from) or contributed by the Department for Culture, Media and Sport</b>	<u>(0.1)</u>	<u>–</u>

# CASHFLOW STATEMENT

	2009 £m	2008 £m
<b>Reconciliation of total net expenditure to Grant-in-aid</b>		
Total net expenditure	(0.6)	(0.5)
<b>Net cash outflow from activities and before financing</b>	<b>(0.6)</b>	<b>(0.5)</b>
Grant-in-aid drawn down	0.5	0.5
<b>Decrease in cash</b>	<b>(0.1)</b>	–

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts.

#### a) Basis of preparation

The accounts are prepared in accordance with the combined accounts direction given by the Treasury as set out in Appendix B (pages 134 to 136) and have been prepared in accordance with applicable accounting standards, the Government Financial Reporting Manual (FRM) and under the historical cost accounting rules.

#### b) Pensions costs

The Household operates the Royal Households Group Pension Scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Grant-in-aid. Contributions to the scheme are charged to the Income and Expenditure Account so as to spread the cost of pensions over employees' working lives with the Household. Employer's pension contributions are recognised in the Income and Expenditure Account on an accruals basis. Further details of the pension schemes are provided in Appendix A of the Royal Public Finance Annual report (page 121).

## 2. TOTAL NET EXPENDITURE

The Auditors' remuneration for the audit was £2,000 (2007-08: £2,000). During 2007-08 and 2008-09 no other services were provided by the Auditors except for the audit.

## 3. RELATED PARTY TRANSACTIONS

	2009 £m	2008 £m	2009 £m	2008 £m
	<b>Balance due to:</b>		<b>Charged by:</b>	
Civil List	–	–	0.1	0.1
Other Royal Households	–	–	0.1	0.1

The Civil List and other Royal Households are regarded as related parties. Material transactions with these related parties during the year are summarised above.

Charges to the Grant-in-aid are mainly from the Civil List and relate to management fees charged for various services provided by Civil List staff including accounting, payroll, internal audit, personnel, catering and cleaning and IT and information systems services.

Charges to the Grant-in-aid from other Royal Households relate to payments to The Prince of Wales's office to cover costs in respect of The Prince of Wales's royal function and engagements.

# MARLBOROUGH HOUSE

## INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st March</i>	Note	2009 £m	2008 £m
Amount of Grant-in-aid voted by Parliament		<u>0.6</u>	<u>0.6</u>
<b>Grant-in-aid drawn down</b>		<u>0.6</u>	<u>0.6</u>
<b>Property Maintenance</b>			
Fees and construction		0.1	0.2
<b>Security</b>			
Custody Guards		0.3	0.3
<b>Commonwealth Secretariat</b>			
General maintenance		0.2	0.2
Recovered from Commonwealth Secretariat		<u>(0.2)</u>	<u>(0.2)</u>
		—	—
<b>Total net expenditure</b>		<u>0.4</u>	<u>0.5</u>
<b>Net funding for working capital</b>	2	<u>0.2</u>	<u>0.1</u>

## BALANCE SHEET

<i>As at 31st March</i>	Note	2009 £m	2008 £m
<b>Current assets</b>			
Cash		0.9	0.8
Debtors		<u>0.1</u>	<u>0.1</u>
		1.0	0.9
<b>Creditors: amounts falling due within one year</b>			
Suppliers		—	<u>(0.1)</u>
<b>Net assets</b>		<u>1.0</u>	<u>0.8</u>
<b>Funds contributed by the Department for Culture, Media and Sport</b>	2	<u>1.0</u>	<u>0.8</u>

# CASH FLOW STATEMENT

<i>Year to 31st March</i>	2009	2008
	£m	£m
<b>Reconciliation of total net expenditure to Grant-in-aid</b>		
Total net expenditure	(0.4)	(0.5)
Decrease in creditors	(0.1)	–
<b>Net cash outflow from activities and before financing</b>	<b>(0.5)</b>	<b>(0.5)</b>
Grant-in-aid drawn down	0.6	0.6
<b>Increase in cash</b>	<b>0.1</b>	<b>0.1</b>

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts.

#### **Basis of preparation**

The accounts are prepared in accordance with the combined accounts direction given by the Treasury as set out in Appendix B (pages 134 to 136) and have been prepared in accordance with applicable accounting standards, the Government Financial Reporting Manual (FReM) and under the historical cost accounting rules.

### 2. RESERVES

Funds contributed by the Department for Culture, Media and Sport	£m
As at 1st April 2008	0.8
Net funding for working capital	0.2
As at 31st March 2009	<b>1.0</b>

### 3. COMMITMENTS

<i>As at 31st March</i>	2009	2008
	£m	£m
Contractual commitments:		
• Contracted	–	–
• Authorised but not contracted	0.3	0.3

# REPORT OF KPMG LLP TO THE LORD CHAMBERLAIN

We have audited the accounts of the Grant-in-aid for the maintenance of the Occupied Royal Palaces, Royal Communications and Information and the Maintenance of Marlborough House (“the Grant-in-aid”) which comprise the Income and Expenditure Accounts, the balance sheets, the cash flow statements, the statements of total recognised gains and losses and the related notes including the introductory paragraphs and section 2 of the Royal Public Finances Appendix A (the “accounts”). These accounts have been prepared using the accounting policies set out on pages 69 to 71, 86 and 89 respectively.

Our report is designed to meet the agreed requirements of the Lord Chamberlain determined by the Lord Chamberlain at the time. Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Lord Chamberlain for any purpose or in any context. Any party other than the Lord Chamberlain who obtains our report or a copy and chooses to rely on our report (or any part of it) will do so at their own risk. To the fullest extent permitted by law KPMG LLP will accept no responsibility or liability in respect of our work to any other party.

## **Respective responsibilities of the Keeper of the Privy Purse and KPMG LLP**

The Keeper of the Privy Purse is responsible for preparing the accounts for each financial year, which includes an account of the stewardship of the Grant-in-aid, in a form and content approved by the Department for Culture, Media and Sport. The Keeper of the Privy Purse is also responsible for ensuring the regularity of financial transactions and for the preparation of the other contents of the Annual Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the accounts give a true and fair view and have been properly prepared on the stated basis. We also report to you whether in all material respects the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding. We also report to you whether in our opinion the information given in the Annual Report is consistent with the accounts. The information given in the Annual Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Annual Report.

In addition we report to you if, in our opinion, the Royal Household has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.



### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and financial regularity of financial transactions included within the accounts. It also includes an assessment of the significant estimates and judgements made by the Keeper of the Privy Purse in preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Grant-in-aid and are consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, where caused by fraud or other irregularity or error and that in all material respects the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the accounts.

### **Opinion**

In our opinion:

- the accounts give a true and fair view of the state of affairs of the Grant-in-aid at 31st March 2009 and the total surplus for the year then ended and have been properly prepared on the basis of the accounting policies set out therein;
- the accounts have been prepared in accordance with the requirements of the combined accounts direction, as notified to the Royal Household by the Treasury;
- the information in the Annual Report is consistent with the accounts; and
- in all material respects, the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding and the financial transactions conform to the authorities which govern them.

**KPMG LLP**  
Chartered Accountants  
Registered Auditor

London  
4th June 2009

